

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7106**

**BILL NUMBER:** SB 494

**NOTE PREPARED:** Apr 8, 2003

**BILL AMENDED:** Mar 31, 2003

**SUBJECT:** Water, Sewage and Solid Waste Matters.

**FIRST AUTHOR:** Sen. Server

**BILL STATUS:** As Passed - House

**FIRST SPONSOR:** Rep. Avery

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill allows a regional water, sewage, or solid waste district to establish a cumulative improvements fund and levy a special benefits tax. The bill makes related changes to the bonding authority of the district. This bill exempts gross receipts received by a political subdivision for sewer and sewage service from the Utility Receipts Tax.

**Effective Date:** (Amended) January 1, 2003 (retroactive); July 1, 2003.

**Explanation of State Expenditures:** (Revised) *Special Benefits Tax:* The special benefits tax is not eligible for property tax replacement credit (PTRC).

According to IDEM, there are 54 active regional water, sewer, water/sewer, and solid waste districts in 47 Indiana counties. This bill allows each regional district to levy a special benefits tax. Three counties have separate water and sewer/solid waste districts; two counties have separate water, sewer, and solid waste districts.

The Indiana Department of Environmental Management (IDEM) estimates that this bill will result in 1/4 to 1/2 of the affected districts submitting revised annual plans. Currently one IDEM employee evaluates these annual plans. The evaluation and approval of the amended plans would increase IDEM's workload by 1/2 of a full-time employee or less.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. IDEM had 156 open positions as of March 17, 2003, of which 32 meet IDEM's requirements for this position (28 Environmental Manager 2 and 4 Environmental Engineer 2). Ultimately, the source of

funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

**Explanation of State Revenues:** (Revised) *Gross Receipts Tax*: Municipal sewer companies were not liable for the Gross Income Tax (repealed by P.L. 192-2002) for revenue received for sewage service and no liability was created under the Utility Receipts Tax (URT) which became effective January 1, 2003. This bill clarifies that they would be exempt from the URT.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Special Benefits Tax*: Under this bill regional solid waste districts created under IC 13-26 would be able to establish cumulative improvement funds and levy the special benefits tax. This bill does not amend IC 13-21. The authority to establish a cumulative improvement fund and to levy the special benefits tax would not be granted to solid waste *management* districts created under IC 13-21. Solid waste districts created under IC 13-26 were usually absorbed by solid waste *management* districts created under IC 13-21, and there is some confusion about the number of regional solid waste districts still in existence. Three regional solid waste districts were identified by IDEM as probably still being in existence. These are the Columbus/Bartholomew Waste Disposal Authority (Bartholomew County); the Lake Michigan Solid Waste district in LaPorte, Porter, and Lake Counties; and the Clark/Floyd district.

The area served by each of these 54 districts (51 water or water/sewer and 3 solid waste) in 47 counties is not currently known. In the 42 counties where water, sewer, and solid waste services were not served by separate districts, it was assumed that the districts divided the county's AV between them and that the total AV for those districts was the county total AV. In those three counties with separate water, sewer, or solid waste districts it was assumed that the districts providing sewer services and the districts providing water services could each tax the county's AV separately, thus doubling or tripling the assessed valuation for the special benefits tax for those three counties.

The estimated total AV for the 54 regional districts was \$68.4 billion in CY 2002. The maximum levy is therefore the maximum rate of \$0.0667 per \$100 valuation times the estimated total AV, or \$45.6 million. The effect of a minimum tax of ten dollars or an additional processing charge cannot be estimated as data to estimate those effects are not available.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors and treasurers; regional water, sewer and solid waste districts

**Information Sources:** Department of State Revenue; Indiana Department of Environmental Management

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